



REDACTED – FOR PUBLIC INSPECTION

VIA ECFS

June 30, 2017

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Room TW-A325
Washington, DC 20554

RE: **Pinnacles Telephone Company, SAC 542346**
Submission of FCC Form 481 Annual Report
WC Docket No. 14-58 – ETC Annual Reports and Certifications

Dear Ms. Dortch:

In accordance with the annual reporting requirements of 47 C.F.R. §§54.313 and 54.422, Pinnacles Telephone Company (“the Company”), Study Area Code 542346, hereby files its FCC Form 481 – Carrier Annual Reporting Data Collection Form. *The version of the Company’s FCC Form 481 submitted via the FCC’s Electronic Comment Filing System (ECFS) is a redacted version of the filing that contains no confidential information.*

Section 3005 of FCC Form 481 requires privately-held rate-of-return carriers receiving high cost support to attach a full and complete annual report of the company’s financial condition and operations pursuant to 47 C.F.R. §54.313(f)(2). Pinnacles Telephone Company, by its authorized representative, hereby seeks confidential treatment of its financial annual report pursuant to the March 22, 2016 *Protective Order* in WC Docket Nos. 10-90 and 14-58.¹ The *Protective Order* specifically covers the information required by 47 C.F.R. §54.313(f)(2).

Pinnacles Telephone Company is providing to the Office of the Secretary, under seal, this cover letter and the FCC Form 481 filing which includes the confidential information that is being requested to be withheld from public inspection.

T (972) 387-4300
F (972) 960-2810

8750 N. Central Expressway
Suite 300
Dallas, TX 75231

Assurance, tax, and consulting offered through
Moss Adams LLP. Wealth management offered through
Moss Adams Wealth Advisors LLC. Investment banking
offered through Moss Adams Capital LLC.

¹ *Connect America Fund, ETC Annual Reports and Certifications*, WC Docket Nos. 10-90 and 14-58, Protective Order, 31 FCC Rcd 2089 (2016).

Each page of the Company's financial annual report and the financial summary page on the FCC Form 481 bear the legend, "CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION."

The confidential information has also been submitted to the Universal Service Administrative Company through its E-File system as attachments to the FCC Form 481.

In the filing submitted via the ECFS, all pages containing confidential information bear the legend "REDACTED – FOR PUBLIC INSPECTION."

This cover letter includes no confidential information and the text is the same in both the non-redacted and redacted versions except for the confidentiality markings.

The FCC Form 481 has also been filed with the Universal Service Administrative Company and with the relevant state commissions and Tribal governments, as appropriate.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Stuart Polikoff". The signature is fluid and cursive, with the first name "Stuart" and last name "Polikoff" clearly distinguishable.

Stuart Polikoff
Authorized Representative for
Pinnacles Telephone Company

SP/jr

cc: Lucy Bryan, Pinnacles Telephone Company
Steven Bryan, Pinnacles Telephone Company

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	542346
<015>	Study Area Name	PINNACLES TEL CO
<020>	Program Year	2018
<030>	Contact Name: Person USAC should contact with questions about this data	Steven Bryan
<035>	Contact Telephone Number: Number of the person identified in data line <030>	8313894500 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	srbryanjr@pintelco.com
	Form Type	54.313 and 54.422

<010>	Study Area Code	542346
<015>	Study Area Name	PINNACLES TEL CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Steven Bryan
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<039>	Contact Email Address - Email Address of person identified in data line <030>	srbryanjr@pintelco.com

No

**(300) Unfulfilled Service Request
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	542346
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<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Steven Bryan
<035>	Contact Telephone Number - Number of person identified in data line <030>	8313894500 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	srbyanjr@pintelco.com

<300> Unfulfilled service request (voice)

0

<310> Detail on attempts (voice)

Name of Attached Document

<320> Unfulfilled service request (broadband)

0

<330> Detail on attempts (broadband)

Name of Attached Document

(400) Number of Complaints per 1,000 customers Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	542346
<015>	Study Area Name	PINNACLES TEL CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Steven Bryan
<035>	Contact Telephone Number - Number of person identified in data line <030>	8313894500 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	srbryanjr@pintelco.com
<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered only fixed voice
<410>	Complaints per 1000 customers for fixed voice	0 . 0
<420>	Complaints per 1000 customers for mobile voice	
<430>	Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered only fixed broadband
<440>	Complaints per 1000 customers for fixed broadband	0 . 0
<450>	Complaints per 1000 customers for mobile broadband	

**(500) Compliance With Service Quality Standards and Consumer Protection Rules
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

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<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Steven Bryan
<035>	Contact Telephone Number - Number of person identified in data line <030>	8313894500 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	sbryanjr@pintelco.com
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes
<510>	542346ca510.pdf	
<510>	Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance	
<515>	Certify compliance with applicable minimum service standards	

(600) Functionality in Emergency Situations
Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<035>	Contact Telephone Number - Number of person identified in data line <030>	8313894500 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	sbryanjr@pintelco.com
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	542346ca610.pdf

<010>	Study Area Code	542346
<015>	Study Area Name	PINNACLES TEL CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Steven Bryan
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<039>	Contact Email Address - Email Address of person identified in data line <030>	srbyanjr@pintelco.com

[illegible]

**(800) Operating Companies
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	srbryanjr@pintelco.com
<810>	Reporting Carrier	Pinnacles Telephone Company
<811>	Holding Company	Bryan Family Inc.
<812>	Operating Company	Pinnacles Telephone Company

[illegible]

**(900) Tribal Lands Reporting
Data Collection Form**

 FCC Form 481
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 July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	srbyanjr@pintelco.com

<900> Does the filing entity offer tribal land services? (Y/N) No

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable

**(1000) Voice and Broadband Service Rate Comparability
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	srbryanjr@pintelco.com

<1000> Voice services rate comparability certification Yes

<1010> Attach detailed description for voice services rate comparability compliance 542346ca1010.pdf

Name of Attached Document

<1020> Broadband comparability certification No

<1030> Attach detailed description for broadband comparability compliance

Name of Attached Document

**(1100) No Terrestrial Backhaul Reporting
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	srbryanjr@pintelco.com

<1100> Certify whether terrestrial backhaul options exist (Y/N)

Yes

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

(1200) Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form

FCC Form 481
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 July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	srbryanjr@pintelco.com

542346ca1210.pdf

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

<1220> Link to Public Website

HTTP

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- <1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ☒
- <1222> Details on the number of minutes provided as part of the plan, ☒
- <1223> Additional charges for toll calls, and rates for each such plan. ☒

(2005) Price Cap Carrier Additional Documentation

FCC Form 481

Data Collection Form

OMB Control No. 3060-0986/OMB Control No. 3060-0819

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	srbryanjr@pintelco.com

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

- <2011> 3rd Year Certification 47 CFR §54.313(b)(1)(ii) - Note that for the July 2017 certification, this applies to Round 2 recipients of Incremental Support.
- <2022> Recipient certifies, representing year three after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.
- <2023> The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2024A> Round 2 Recipient of Incremental Support?
- <2024B> Attach list of census blocks indicating where funding was spent in year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2025A> Round 2 Recipient of Incremental Support?
- <2025B> Attach geocoded Information for Phase I milestone reports (Round 2 for year three) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-73, paragraph 35 (May 22, 2013).
- <2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

Name of Attached Document Listing
Required Information

Name of Attached Document Listing
Required Information

(2005) Price Cap Carrier Additional Documentation

FCC Form 481

Data Collection Form

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Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

July 2013

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

<2017C> Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2016.

<2018> Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

Name of Attached Document Listing
Required Information

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)

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<039>	Contact Email Address - Email Address of person identified in data line <030>	srbryanjr@pintelco.com

Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii)	Yes - Attach Certification	
(3010A)	Certification of Public Interest Obligations {47 CFR § 54.313(f)(1)(i)}	542346ca3010.pdf	
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3012A)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(iii)}	Yes - Attach New Community Anchors	
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information	542346ca3012.xlsm
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:			
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input type="checkbox"/>
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input type="checkbox"/>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.		<input type="checkbox"/>
If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input checked="" type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant		<input checked="" type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.		<input checked="" type="checkbox"/>
(3025)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	542346ca3026.pdf

(3005) Rate Of Return Carrier Additional Documentation (Continued)		FCC Form 481
Data Collection Form		OMB Control No. 3060-0986/OMB Control No. 3060-0819
		July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	srbryanjr@pintelco.com

Financial Data Summary

- (3027) Revenue
- (3028) Operating Expenses
- (3029) Net Income
- (3030) Telephone Plant In Service(TPIS)
- (3031) Total Assets
- (3032) Total Debt
- (3033) Total Equity
- (3034) Dividends



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4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission's public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information

Broadband Deployment Locations – FCC 14-98 (paragraph 80)

4004a. Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.

Name of Attached Document Listing Required Information

4004b. Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.

Name of Attached Document Listing Required Information

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>Moss Adams LLP</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	<u>Moss Adams LLP</u>
Name of Reporting Carrier:	<u>PINNACLES TEL CO</u>
Signature of Authorized Officer:	<u>CERTIFIED ONLINE</u> Date: <u>06/29/2017</u>
Printed name of Authorized Officer:	<u>Steven Bryan</u>
Title or position of Authorized Officer:	<u>President</u>
Telephone number of Authorized Officer:	<u>8313894500 ext.</u>
Study Area Code of Reporting Carrier:	<u>542346</u> Filing Due Date for this form: <u>07/03/2017</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	<u>PINNACLES TEL CO</u>
Name of Authorized Agent Firm:	<u>Moss Adams LLP</u>
Signature of Authorized Agent or Employee of Agent:	<u>CERTIFIED ONLINE</u> Date: <u>06/29/2017</u>
Name of Authorized Agent Employee:	<u>Choua her</u>
Title or position of Authorized Agent or Employee of Agent	<u>Consulting Senior</u>
Telephone number of Authorized Agent or Employee of Agent:	<u>2099559641 ext.</u>
Study Area Code of Reporting Carrier:	<u>542346</u> Filing Due Date for this form: <u>07/03/2017</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

(700) Price Offerings including Voice Rate Data Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<015>	Study Area Name	PINNACLES TEL CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Steven Bryan
<035>	Contact Telephone Number - Number of person identified in data line <030>	8313894500 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	srbryanjr@pintelco.com

<701>	Residential Local Service Charge Effective Date	1/1/2017
<702>	Single State-wide Residential Local Service Charge	20.25

<703>

[illegible]

(710) Broadband Price Offerings Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	542346
<015>	Study Area Name	PINNACLES TEL CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Steven Bryan
<035>	Contact Telephone Number - Number of person identified in data line <030>	8313894500 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	sbryanjr@pintelco.com

[illegible]

LINE 510 - SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES COMPLIANCE

Pinnacles Telephone Company (“the Company”) complies with applicable service quality standards and consumer protection rules for its voice and broadband services.

The rates, terms, and conditions under which the Company operates are outlined in its local exchange tariff, which is approved by the California Public Utilities Commission (“California PUC”). The tariff contains provisions regarding the Company’s customer service and protection practices.

Service quality standards for voice service are established by the California PUC. The Company consistently meets or exceeds those standards and provides reports to the California PUC, in accordance with the California PUC’s rules.

With regard to broadband service, the Company provisions its network and equipment to ensure that its customers can enjoy the speeds to which they subscribe. However, Internet speeds generally result from a “best effort” service and are dependent upon a number of variables, many of which are outside the control of the Company. The Company also complies with the FCC’s Open Internet rules, 47 C.F.R. §§8.3-8.11. These rules prohibit blocking, throttling, and paid prioritization, and also require the Company to publicly disclose information regarding its network management practices, performance, and the commercial terms of its broadband services.

The Company complies with any and all consumer protection obligations under state law.

The Company also complies with the following consumer best practices: (1) the Company discloses its rates and terms of service to customers; (2) the Company provides specific disclosures in its advertising; (3) the Company separately identifies carrier charges from taxes on its billing statements; (4) the Company provides ready access to customer service; (5) the Company promptly responds to consumer inquiries and complaints received from government agencies; and (6) the Company abides by policies for protection of consumer privacy.

Finally, the Company has a policy and established operating procedures that comply with the FCC’s Customer Proprietary Network Information (CPNI) rules (47 C.F.R. §§64.2001-64.2011).

LINE 610 - ABILITY TO FUNCTION IN EMERGENCY SITUATIONS

Pinnacles Telephone Company (“the Company”) is able to remain functional in emergency situations for both voice and broadband service. The Company has a reasonable amount of back-up power to ensure functionality without an external power source. A standby generator, fueled from a 500 gallon propane tank, is also available and will continue to sustain central office operations as long as fuel lasts. Remote terminals, which provide service to subscribers who are not near the central office, house battery banks which have been designed to last at least eight hours without PG&E power. In the event of an outage lasting longer than eight hours, the Company deploys mobile generators to recharge battery banks as required.

The Company has synchronous optical network (“SONET”) technology deployed in its core fiber optic network that is self-healing and will automatically reroute traffic around damaged facilities should a fiber cut occur. In the event of simultaneous fiber failures, the Company maintains a stock of all tools and supplies needed to affect fiber repairs and restore service.

Lastly, the Company is prepared and capable of managing traffic spikes resulting from emergency situations and has developed procedures for employees to follow during emergency situations.

LINE 1010 – VOICE SERVICES RATE COMPARABILITY

The Wireline Competition Bureau’s 2017 reasonable comparability benchmark for voice services is \$49.51, which includes the federal subscriber line charge (“SLC”).¹

In all of the exchanges served by Pinnacles Telephone Company (“the Company”), as of January 1, 2017, the single-line residential local rate was \$20.25. When the federal SLC (\$6.50) is included, the total rate was \$26.75. Therefore, the Company’s pricing of fixed voice services is less than the reasonable comparability benchmark of \$49.51.

¹ *Wireline Competition Bureau Announces Results of 2017 Urban Rate Survey for Fixed Voice and Broadband Services, Posting of Survey Data and Explanatory Notes, and Required Minimum Usage Allowance for ETCs Subject to Broadband Public Interest Obligations*, Public Notice, WC Docket No. 10-90, 32 FCC Rcd 1358 (2017).

LINE 1210 – TERMS & CONDITIONS OF VOICE TELEPHONY LIFELINE PLANS

Residential customers of Pinnacles Telephone Company (“the Company”) who qualify for the Lifeline Program receive a discount of \$20.64 (\$9.25 federal discount + \$11.39 California specific support credit) on local voice telephony service.

In all of the Company’s exchanges, the Lifeline single-line residential rate, including the federal subscriber line charge (“SLC”), is \$6.11 (\$26.75 standard rate - \$20.64 discount).

All single-line residential customers, including Lifeline customers, have an unlimited number of minutes for calls made within their local calling area.

Toll charges for calls outside of the local calling area are determined by the long distance carrier of the customer’s choosing. Customers may elect to subscribe to toll blocking at no charge.

Lifeline Program reductions do not apply to additional services such as custom calling features. Lifeline customers may subscribe to these services, where available, at the same rates offered to other customers.

LINE 3010 – CERTIFICATION OF PUBLIC INTEREST OBLIGATIONS

Pinnacles Telephone Company (“the Company”) hereby certifies that the Company has taken reasonable steps to provide upon reasonable request broadband service at actual speeds of at least 10 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas, and that requests for such service were met within a reasonable amount of time.

Template for Reporting Community Anchor Institutions (Lines 2018, 3012B, and 4003B)

Number	Name	Street Address	State	Zip
1	Cienega Elementary School	11936 Cienega Rd.	CA	95023
2	Willow Grove Elementary School	11655 Airline Hwy.	CA	95043
3				
4				
5				
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Review Report of Independent Accountants
and Financial Statements

**Pinnacles Telephone
Company, Inc.**

December 31, 2016 and 2015

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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Pinnacles Telephone Company
Paicines, CA 95043

We have reviewed the accompanying financial statements of Pinnacles Telephone Company, Inc., which comprise the balance sheet as of December 31, 2016 and 2015, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

June 15, 2017

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FINANCIAL STATEMENTS

PINNACLES TELEPHONE COMPANY
BALANCE SHEETS

ASSETS

	DECEMBER 31,	
	2016	2015
CURRENT ASSETS		
Cash and cash equivalents		
Telecommunications accounts receivable		
Other accounts receivable		
Marketable securities		
Materials and supplies		
Prepaid expenses		
Prepaid income taxes		
Total current assets		
NONCURRENT ASSETS		
Marketable securities		
Accounts receivable – affiliate		
Total noncurrent assets		
PROPERTY, PLANT, AND EQUIPMENT		
Telecommunications plant in service		
Plant under construction		
Nonregulated plant in service		
Less accumulated depreciation		
Net property, plant, and equipment		

PINNACLES TELEPHONE COMPANY
BALANCE SHEETS

LIABILITIES AND STOCKHOLDER'S EQUITY

	DECEMBER 31,	
	2016	2015
CURRENT LIABILITIES		
Accounts payable		
Income taxes payable		
Other accrued liabilities		
Total current liabilities		
 OTHER LIABILITIES – Deferred income taxes		
 STOCKHOLDER'S EQUITY		
Common stock, authorized [REDACTED] shares,		
[REDACTED] par value:		
Issued and outstanding [REDACTED] shares		
Preferred stock, authorized [REDACTED] shares,		
[REDACTED] par value:		
Issued and outstanding [REDACTED] shares		
Additional paid-in capital		
Retained earnings		
Total stockholder's equity		

PINNACLES TELEPHONE COMPANY
STATEMENTS OF INCOME AND RETAINED EARNINGS

	YEARS ENDED DECEMBER 31,	
	2016	2015
OPERATING REVENUES		
Local network services		
Interstate access services		
Intrastate access services		
Long distance network services		
Federal high cost loop support		
California high cost support		
Nonregulated services		
Miscellaneous		
Total operating revenues		
OPERATING EXPENSES		
Plant specific operations		
Plant nonspecific operations		
Customer operations		
Corporate operations		
Depreciation		
Property and other taxes		
Nonregulated		
Total operating expenses		
OPERATING INCOME (LOSS)		
OTHER INCOME AND (EXPENSES)		
Interest and dividend income		
Gain on sale of investments		
Nonoperating expense, net		
Total other income		
INCOME (LOSS) BEFORE INCOME TAXES		
Provision for income taxes		
NET INCOME (LOSS)		
RETAINED EARNINGS, beginning of year		
Dividend distribution		
RETAINED EARNINGS, end of year		

PINNACLES TELEPHONE COMPANY
STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and settlements		
Cash paid to vendors, suppliers, and employees		
Interest and dividends received		
Income taxes paid		
Net cash from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction and acquisition of plant		
Accounts receivable – affiliate		
Purchase of marketable securities		
Proceeds from sale or redemption of marketable securities		
Net cash from investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend distribution		
Net cash from financing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS, beginning of year		
CASH AND CASH EQUIVALENTS, end of year		

PINNACLES TELEPHONE COMPANY
STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,	
	2016	2015
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:		
NET INCOME (LOSS)		
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation		
Deferred income taxes		
Gain on sale of investments		
Increase (decrease) in cash due to changes in assets and liabilities:		
Telecommunications accounts receivable		
Other accounts receivable		
Materials and supplies		
Accounts payable		
Accrued/prepaid income taxes		
Other accrued liabilities		
Total adjustments		
NET CASH FROM OPERATING ACTIVITIES		

PINNACLES TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of operations – Pinnacles Telephone Company, Inc. (the Company) is the wholly-owned subsidiary of Bryan Family, Inc. and provides telephone service in its franchised territory of San Benito county and is subject to the Rules and Regulations of the California Public Utilities Commission (CPUC) and the Federal Communications Commission (FCC).

Accounting policies – The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to regulated public utilities. The accounting records of the Company are maintained in accordance with the uniform system of accounts prescribed by the FCC and adopted by the CPUC. Such accounting principles are consistent in all material respects with accounting prescribed by the FCC.

Accounting estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include depreciation expense, deferred income tax expense, and interstate access revenue settlements.

Cash and cash equivalents – For purposes of the statement of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Accounts receivable valuation – Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Company reviews the collectability of accounts receivable annually based on an analysis of outstanding receivables, historical collection information, and existing economic conditions. Receivables from subscribers and carriers are due 30 days after issuance of the bill. Delinquent accounts are charged to uncollectible expense when it is determined that the account will not be collected. Recoveries of previously charged off accounts are recorded when received. Due to the immaterial nature of the Company's uncollectible accounts, an allowance for uncollectible accounts is not deemed necessary, and the result of this method does not materially differ from accounting principles generally accepted in the United States of America.

Materials and supplies – Materials and supplies used for construction are valued at the lower of cost or market. Cost is determined by the average cost method.

Marketable securities – Marketable securities are classified as "held-to-maturity" or "available-for-sale." Investments classified as held to maturity are those the Company has the ability and intent to hold until maturity and are reported at cost, which approximates amortized cost. Debt securities classified as held to maturity are noncurrent assets if they have scheduled maturities from one to five years, and are current if they have scheduled maturities less than one year. Investments classified as available-for-sale are reported at fair value, with unrealized gains and losses reported as a separate component of comprehensive income and included in stockholder's equity until realized. Realized gains and losses, determined using the first-in, first-out method, are included in earnings. Fair values are determined based on quoted market prices for similar securities.

PINNACLES TELEPHONE COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant, and equipment – Property, plant, and equipment are stated at original cost. Regulated plant includes assets that are jointly used for regulated and nonregulated activities. The cost of additions and substantial betterments of property, plant, and equipment is capitalized. The cost of maintenance and repairs is charged to operating expenses.

In accordance with composite group depreciation methodology, when a portion of the Company's regulated depreciable property, plant, and equipment is retired in the ordinary course of business, the gross book value is charged to accumulated depreciation.

Depreciation of the Company's nonregulated plant is provided by the straight-line method over the estimated useful lives of the assets. Upon retirement, sale, or other disposition of nonregulated assets, the cost and related accumulated depreciation are removed from the related accounts and the resulting gains or losses are included in operations.

Revenue recognition – Monthly service plan revenues derived from local service and internet are billed one month in advance, but recognized in the month that service is provided. Usage-sensitive revenues such as access (revenues earned from originating/terminating long distance calls) and long distance are generally billed as a per minute charge. Although these revenues are billed in arrears, they are recognized in the month the service is provided.

Interstate access revenues also include settlements based on the Company's participation in the revenue pools administered by the National Exchange Carrier Association (NECA). Settlement revenues are determined by annually prepared separations and interstate access cost studies. These studies are prepared subsequent to year end and, therefore, the related revenues are recorded on the books based on an estimate of the Company's costs, NECA pool earnings, and on other assumptions related to the information utilized in the preparation of the Company's cost study. The studies are subject to a 24-month pool earnings adjustment period and a final review and acceptance by NECA. There were insignificant revenue impacts in 2016 and 2015 for adjustments related to prior year differences between the recorded estimates and actual revenues. Management does not anticipate that 2016 and 2015 recorded revenues will require significant adjustments in future years.

The Company's wireline universal service support revenue is intended to compensate the Company for the high cost of providing rural telephone service. Universal service support revenues include funds received for the high cost loop support (HLCS), interstate common line support (ILCS), Connect America Fund (CAF), and other miscellaneous programs. HLCS and ICLS are based on the Company's relative level of operating expense and plant investments. Support from the CAF is based on a historical frozen amount related to 2011 investments and expenses associated with the switching function and certain 2011 intrastate access revenues, which together make up the CAF base. The CAF base will be reduced by 5% each year in determining CAF support.

PINNACLES TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Revenue recognition (continued) – Nonregulated services consist of internet services and other incidental nonregulated revenues. Miscellaneous revenue includes revenues from directory, billing and collection, rents, and other incidental services.

Nonregulated expenses and nonregulated plant are directly attributable to nonregulated services. Operating expenses and telecommunications plant are related primarily to regulated revenues. However, some of these costs jointly relate to regulated and nonregulated services. For settlement, universal service support, rate case, and other regulatory purposes, the portion of these common costs related to nonregulated activities are removed from these accounts in accordance with Part 64 of the FCC rules in order to ensure that regulated revenues are based on costs of providing regulated services.

Regulation – The Company’s services are subject to rate regulation as follows:

- Local telephone and intrastate access revenues are regulated by the CPUC. The FCC also has assumed preemptive authority to regulated intrastate telecommunications services, including intrastate access rates.
- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Federal universal service revenues are administered by the Universal Service Administrative Company (USAC) based on rules established by the FCC.
- State High Cost Fund revenues are administered by the CPUC based on rules established by the state of California. The California High Cost Fund-A (CHCF-A) support is subject to renewal every four years by the California legislature. Legislation to extend the CHCF-A program to January 1, 2019 was adopted in September 2014.

The FCC released an Order and Further Notice of Proposed Rulemaking (FNPRM) in 2016 that reforms the High Cost Program supporting rate-of-return carriers. The FCC has also created a mechanism to ensure the \$2 billion budget for Universal Service Support is not exceeded. The following changes have been implemented to modernize the program:

- Provides support for stand-alone broadband;
- Requires broadband deployment based on the number of locations lacking service and the cost of providing service;
- Requires allowances for capital investments and limits on operational expenses; and
- Phases out support for areas served by a qualifying competitor.

PINNACLES TELEPHONE COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Regulation (continued) – The FNPRM also created two paths to a Connect America Fund for rate of return carriers. The legacy mechanism reforms the existing ICLS mechanism to support stand-alone broadband. The model based option is voluntary and is a fixed amount of support for ten years. The model based support mechanism includes build-out milestones that must be met beginning in 2021. In the event the Company does not meet the milestones a portion of the support received will be paid back to the Universal Service Fund. The Company is expected to receive support under the model based option in future years.

Pending and future regulatory actions may have a significant impact on the Company's future operations and financial condition.

Income taxes – Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for taxable temporary differences and deferred tax liabilities are recognized for deductible temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company records uncertain tax positions if the likelihood that the position will be sustained upon examination is less than 50%. As of December 31, 2016 and 2015, the Company had no accrued amounts related to uncertain tax positions.

Taxes imposed by governmental authorities – The Company's customers are subject to taxes assessed by various governmental authorities on many different types of revenue transactions with the Company. These specific taxes are charged to and collected from the Company's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

Concentrations of risk – At various times throughout the year, the cash balances on deposit with financial institutions exceeded federally insured limits. A possible loss exists for those amounts in excess of the insured limit.

In 2016, the Company received [REDACTED] from the Federal Universal Service Fund and [REDACTED] from CHCF-A. These amounts represent [REDACTED] and [REDACTED] of the Company's operating revenues for 2016. In 2015, the Company received [REDACTED] from the Federal Universal Service Fund and [REDACTED] from CHCF-A. These amounts represent [REDACTED] and [REDACTED] of the Company's operating revenues for 2015.

PINNACLES TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Fair value measurements – The Company recognizes financial assets and liabilities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities;
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Securities transactions are recognized on the trade date (the date the order to buy or sell is executed). Income from investments is recorded as earned on an accrual basis.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Company has evaluated subsequent events through June 15, 2017, which is the date the financial statements were available to be issued.

NOTE 2 – MARKETABLE SECURITIES

Marketable securities consists of funds with investment services groups that represent various investment strategies including corporate and municipal bonds and are classified as held to maturity.

During 2016, the Company elected to sell certain securities classified as held to maturity for operations. Proceeds realized from the sale or redemption of securities were [REDACTED] for the year ended December 31, 2016. Gross realized gains included in income were [REDACTED] for the year ended December 31, 2016.

During 2015, the Company elected to sell certain securities classified as held to maturity in order to issue a dividend distribution to the parent company in order to facilitate the buy out of a shareholder. Proceeds realized from the sale of securities were [REDACTED] for the year ended December 31, 2015. Gross realized gains and losses included in income were [REDACTED] and [REDACTED] for the year ended December 31, 2015.

PINNACLES TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – MARKETABLE SECURITIES (CONTINUED)

Marketable securities are as follows as of December 31:

	Investment		Unrealized Holding		Fair
	Level	Cost	Gains	(Losses)	Value
<u>2016</u>					
Corporate bonds	2				
Municipal bonds	2				
Total marketable securities					
<u>2015</u>					
Corporate bonds	2				
Municipal bonds	2				
Other	2				
Total marketable securities					

Marketable securities are reported in the accompanying balance sheets as follows as of December 31:

	<u>2016</u>	<u>2015</u>
Held to maturity, current		
Held to maturity, noncurrent		
Total marketable securities		

The following is a summary of maturities of securities held-to-maturity as of December 31, 2016:

	Fair Value Measurements Using	
	<u>Cost</u>	<u>Fair value</u>
Amounts maturing in:		
One year or less		
After one year through five years		
After five year through ten years		

PINNACLES TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – PROPERTY, PLANT, AND EQUIPMENT

Major classes of property, plant, and equipment consist of the following at December 31:

	Depreciable Life in Years	Plant Account	Accumulated Depreciation	2016 Net Balance	2015 Net Balance
Regulated plant in service:					
General support	6 to 15				
Central office	10 to 12				
Cable and wire facilities	4 to 25				
Regulated plant under construction	N/A				
Nonregulated plant in service	5				

NOTE 4 – PROFIT SHARING PLAN

The Company maintains a 401(k) profit sharing retirement plan that allows for employee salary reduction contributions. The Company will match each participant's salary deferred amount up to ■ of the employee's salary. Company matching contributions were ■ and ■ for the years ended December 31, 2016 and 2015, respectively.

Profit sharing contributions are discretionary and are determined annually by management. Management approved a ■ profit sharing contribution for 2016 and 2015. Profit sharing contributions were ■ and ■ for the years ended December 31, 2016 and 2015, respectively.

NOTE 5 – INCOME TAXES

The provision for income taxes is as follows for the year ended at December 31:

	2016	2015
Current expense (benefit):		
Federal		
State		
Deferred benefit:		
Federal		
State		

PINNACLES TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – INCOME TAXES (CONTINUED)

The Company computes and records federal income and California franchise taxes on a separate return basis, but files a consolidated tax return with its parent, Brian Family, Inc.

The Company's effective income tax rate varies from the current federal tax rate primarily due to the effects of state income tax (net of federal benefit), nondeductible expenses, and tax-exempt income.

The components of deferred tax assets and liabilities consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Deferred tax liabilities:		
Property – accelerated depreciation		
Federal deferral of state franchise tax		
Net deferred tax liabilities		

NOTE 6 – RELATED PARTY TRANSACTIONS

The Company shares common employees with its parent, Bryan Family, Inc. The Company charges the parent company semi-annually for payroll, insurance, and various other shared services. Amounts charged for the years ended December 31, 2016 and 2015 were [REDACTED] and [REDACTED], respectively. Amounts receivable or payable from these charges are shown on the balance sheet as such.